

# BCBS 239: Bringing transparency to the risk data lifecycle

REGULATORS WANT CLEAR PROOF YOU HAVE CONTROL OVER THE WHOLE DATA MANAGEMENT LIFECYCLE

## Where's your proof?

Knowledge of how risk data makes its way into board and regulatory reporting tends to be locked in the minds of a few key people within the bank. Data and MI has been so heavily processed by the time it makes its way to the risk reporting teams that appropriate aggregation (or disaggregation) can be impossible to achieve. The fourteen principles of BCBS 239 are all variations on the same theme: you must demonstrate to the regulator that you can govern, process, aggregate and report risk data in a controlled manner.



## You can't speed it up when the going gets stressful

As processes and systems have been built up over the years, a lack of investment in the data infrastructure has resulted in potentially thousands of ad-hoc and manual adjustments, typically performed via end user computing, outside of auditable systems. IT departments have traditionally focused on system architecture rather than the underlying data architecture. During periods of intense stress, as seen during the financial crisis, trying to get daily or weekly views of key risk reporting that was designed to be rolled out monthly proved nigh on impossible. To address this, BCBS 239 sets out principles that, if implemented effectively, will result in more accurate and reliable report production.

## Data is the lifeblood of a bank, interconnecting every aspect of the organisation

Most "risk" data actually starts life in your key transactional systems, input by front-line staff. Being able to track the lineage of your critical risk MI from board and executive level reporting right back to the people, process and technology that impact it along the way will help bring that transparency to your risk reporting and aggregation processes. Performing this task is no mean feat; it will touch virtually every team in your bank as data flows through the organisation. Data projects tend to straddle multiple business silos, making ownership of BCBS239 implementation an issue. If you already have one, your data governance team will need to gear up to be at the fulcrum of this business analysis.

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*Most banks won't be ready to comply with at least one BCBS 239 principle by the January 2016 deadline.*

*It is hard to envisage compliance across the whole suite of principles if banks have not established adequate data governance functions to monitor and improve the accuracy and reliability of risk data aggregation.* ”

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# Guiding you to success – Review, Define, Embed, Test

Parker Fitzgerald has an experienced team of practitioners who have successfully implemented data governance into the risk functions of large, complex banks. We can help you:

- Review your current readiness and evidence your adherence to each of the 11 relevant principles (circa 90 high level requirements), as well as propose and implement plans to remediate any gaps
- Undertake the business analysis required to trace the lineage and provenance of each of the key risk data fields in your critical risk reporting; highlighting the people, processes and technology that affect the data lifecycle
- Identify and eliminate manual processes, reducing dependency on end user computing (e.g. Excel spreadsheets and Access databases) where possible
- Create a glossary and taxonomy of key risk metrics, including their usage across credit, market, liquidity and operational risk reporting
- Embed your existing data governance framework into your organisation and identify appropriate data stewards, custodians and business owners of all critical data elements
- Define and execute suitable tests to confirm the accuracy and completeness of critical data elements as well as improve your data quality reporting through each processing cycle

**Strong data governance should be at the heart of every aspect of the data lifecycle**



## About Parker Fitzgerald

Parker Fitzgerald is an award winning risk management consultancy focused exclusively within the financial services sector. Headquartered in London, we partner with many of Europe's largest banking groups, investment banks and asset managers to execute focused strategies and enterprise-wide transformation to enable major new capabilities for the risk function.

Our data and risk analytics consultants build robust data architectures to help you manage information effectively, providing the data you need to understand business performance at the most granular level and fulfil regulatory compliance. We embed governance frameworks to safeguard risk and regulatory reporting, placing analytics at the heart of our clients' data vision and strategy.